Annual Report to the Minister

of the Minimum Wage Review Committee

(January 4, 2013)

Honourable Marilyn More
Minister of Labour and Advanced Education
5151 Terminal Road
Halifax, Nova Scotia
B3J 2T8

Dear Minister More:

We are pleased to present our annual report on Nova Scotia's minimum wage.

Since our inception as a committee in 2004, one of our key objectives has been to identify a mechanism for establishing and maintaining a fair minimum level of pay for employees in Nova Scotia. We feel this objective was met with the amendments made to the minimum wage regulations in 2011, which provide for Nova Scotia's minimum wage to be indexed annually to the low income cut off line (LICO).

Attached, please find our report, which includes the recommended adjustment to the minimum wage rates (experienced and inexperienced) to index the minimum wage to LICO, and the data used to calculate the adjustment.

As in previous years, we wish to acknowledge staff at the Nova Scotia departments of Labour and Advanced Education, and Economic and Rural Development and Tourism for supporting our work.

Thank you for the opportunity to continue to contribute to this important policy issue.

Respectfully submitted by:

Original signed by

Rick Clarke

Steven MacPherson

Tom Patterson

Sandra Rodd

BACKGROUND INFORMATION

In Nova Scotia, employees' rights are protected by the province's *Labour Standards Code*. The Code provides direction to employers and employees on a wide range of topics, including the minimum wage. The minimum wage applies to most employees.

Nova Scotia's *Labour Standards Code* was amended in 2003 to establish a Minimum Wage Review Committee. The Committee – established in 2004 – is comprised of an equal number of employer and employee representatives. It is mandated to conduct an annual review of the minimum wage and to prepare a report for the Minister with recommendations on its continued application. The Minister is required to make the report public within 30 days of receiving it, and to publish a response within 60 days.

In January 2009 the Committee recommended that, by September 2010, government index the minimum wage to the low income cut off (LICO) line for a single person in a community the size of Sydney. In February 2011 the Committee recommended that the minimum wage be re-indexed to LICO in late 2011, to take effect April 1, 2012, and that it be re-indexed to LICO each subsequent April using the projected national Consumer Price Index (CPI) for the previous calendar year. These recommendations were accepted by government and the minimum wage regulations were amended, effective September 5, 2011, to reflect this new approach.

Indexing the minimum wage to LICO and adjusting it based on CPI provides a mechanism for maintaining a fair minimum level of pay for the most vulnerable employees in Nova Scotia. It makes changes to the minimum wage more predictable and prevents erosion of the purchasing power of the minimum wage.

THE LOW INCOME CUT OFF LINE (LICO) AND THE CONSUMER PRICE INDEX (CPI)

LICO lines are income thresholds determined by Statistics Canada. LICO lines, which vary based on family size and community size, identify the point below which a family spends 20 percent more than the average family on the essentials of food, clothing and shelter. If a family spends more than 20 percent of its income on these essentials than the average family, its income falls below LICO. While LICO is not a 'poverty line' per se, it is the most frequently used metric when measuring poverty and low income in Canada.

The Consumer Price Index (CPI) is used to calculate annual adjustments to the LICO lines. CPI is determined by Statistics Canada. Commonly referred to as an inflation measurement, CPI is an indicator of changes in consumer prices that is obtained by comparing the cost of a fixed basket of goods and services over a period of time.

PROFILE OF MINIMUM WAGE EARNERS

According to Statistics Canada, in 2011 an estimated 23,600 employees earned minimum wage in Nova Scotia, which is about 6 percent of wage earning workers.

Minimum wage earners work throughout the province. They work primarily in retail trade, followed by food and accommodation industries. Most are under the age of 25. Most work part time and go to school full time. A high proportion of minimum wage earners are sons and daughters living at home. Almost two thirds of minimum wage earners in the province are women. Very few minimum wage workers are unionized.

MINIMUM WAGE RATES (GENERAL) ACROSS CANADA

Province/Territory	As of December 2012
Alberta	$9.75
British Columbia	$10.25
Manitoba	$10.25
New Brunswick	$10.00
Newfoundland and Labrador	$10.00
Northwest Territories	$10.00
Nova Scotia	$10.15
Nunavut	$11.00
Ontario	$10.25
Prince Edward Island	$10.00
Québec	$9.90
Saskatchewan	$10.00
Yukon	$10.30

Inexperienced minimum wage rate

Nova Scotia is similar to other provinces in that it maintains a 'tiered' or "differential"minimum wage system. In Nova Scotia's case this is through an 'inexperienced' minimum wage rate. Employers can pay an employee the inexperienced rate only if the employee has worked for the employer for less than three months and has less than three months total experience with the

kind of work the employee is employed to do. Other jurisdictions provide for a tiered minimum wage system based on criteria such as the kind of work the employee does.

The Nova Scotia *Minimum Wage Order (General)* sets the inexperienced minimum wage rate at $0.50 less than the general minimum wage rate. The inexperienced minimum wage is currently $9.65 per hour.

Minimum wage setting mechanisms

Like Nova Scotia, other jurisdictions use a mechanism or formula to set their minimum wage rate. Yukon currently has regulations in place that provide for an increase to the minimum wage rate each April based on the previous year's increase in the Consumer Price Index for Whitehorse. In 2011, Alberta introduced a new minimum wage policy which links possible increases to its minimum wage rate with the average of the annual increases in Average Weekly Earnings and the Consumer Price Index in Alberta.

In February 2011, the Saskatchewan Minimum Wage Board recommended Saskatchewan's minimum wage be indexed to the Saskatchewan CPI. To date, the recommendation has not been adopted by the government. In a report by the Newfoundland and Labrador Minimum Wage Advisory Committee released on December 6, 2012, the Committee recommends the minimum wage be adjusted each year based on the previous year's CPI for Newfoundland and Labrador starting in 2014.

ECONOMIC OUTLOOK

Over the entire period from 2007-2010, Nova Scotia's economic growth was faster than the Canadian average. In 2011, Nova Scotia's real GDP advanced by 0.5 percent – slower than its recent history and slower than many other provinces (notably those exploiting energy and resources).

The Committee believes that Nova Scotia's minimum wage needs to continue to protect the most vulnerable workers, while remaining flexible enough to adapt to changing economic conditions. Our view is that there have been no fundamental changes in economic conditions that would warrant a change of course with respect to Nova Scotia's minimum wage indexing. In this light, the committee believes the current approach of indexing minimum wage to LICO should continue.

ADJUSTING THE MINIMUM WAGE RATE

Minimum wage was increased to $10.15 per hour on April 1, 2012 to set it at LICO. The minimum wage regulations provide that it is to be re-indexed to LICO April 1, 2013 using the projected national CPI for the 2012 calendar year. As noted in the chart below, CPI for the 2012 calendar year is projected to increase 1.5% from the previous year. Multiplying the current minimum wage by 1.5% and rounding it to the nearest $0.05, in accordance with the formula set out in the minimum wage regulations, results in an increase to the minimum wage of $0.15.

National Consumer Price Index

Rate of Inflation, Percent Change, Year over Year, Consumer Price Index, All-Items, Canada	
Year	**CPI INFLATION (National)**
2007	2.2%
2008	2.3%
2009	0.3%
2010	1.8%
2011	2.9%
2012	1.5%*

***Projected**

RECOMMENDATIONS

1. Based on the formula set out in the minimum wage regulations, we recommend the experienced minimum wage rate increase to $10.30 per hour and the inexperienced rate increase to $9.80 per hour, to take effect April 1, 2013.

2. In last year's report, we recommended government research the use of the inexperienced minimum wage rate in Nova Scotia. We understand that there is currently little data on the use of the inexperienced rate. The Committee recommends that the department explore the possibility of generating data on its use for consideration by the Committee in time for its next annual report.